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Retirement benefits assets rise by 17%: Retirement benefits assets rose from Shs25.4 trillion in June 2024 to 29.8 trillion in June 2025, a 17 percent leap. The growth was attributed to smarter investments, which yielded 14.8 percent returns, allowing members to receive 13.4 percent interest, according to the Retirement Benefits Sector Annual Report for the 2024/25 financial year.



URA wants to end costly tax wars: Lawyers say first fix assessments

Tax. |

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For years, Uganda's tax courts have quietly been a hidden treasure trove; not for the government, but for lawyers.

While Uganda Revenue Authority (URA) collects billions in taxes, it has also been handing tens of billions to litigants in legal costs.

In the 2024/2025 financial year alone, URA paid Shs17.24b in litigation costs, a slow leak from the public purse.

URA is seeking to rein in this trend through its Draft Tax Policy Measures for the 2026/2027 financial year.

The measures seek to make tax disputes less profitable for lawyers and less costly for the public.

The first reform introduces a statutory cap on recoverable costs. Lawyers' fees will now shrink as the stakes rise: 8 percent for claims under Shs2m, 6 percent for Shs2 to Shs20m, 4 percent for Shs20 to Shs50m, 2 percent for Shs50 to Shs100m, and 0.5 percent above Shs100m.

No one can recover more than the amount awarded in a judgment, which means that the larger the case, the smaller the percentage a lawyer can earn.

The evidence rule

The Draft Tax Policy Measures introduce a new layer of evidence that says that if a taxpayer introduces documents "that ought to have been submitted to URA" at the objection stage and still wins at the Tax Appeals Tribunal (TAT), no costs will be awarded.

URA wants tax lawyers to play fair early, or their legal payday evaporates.

"An award of costs is not merely compensatory, but also serves as an instrument for regulating litigation conduct," the draft says.

The most dramatic proposal, however, is the removal of legal costs entirely from tax proceedings.

"Notwithstanding any other written law, no order as to legal costs shall be made in proceedings under this Act."

This, if approved, would end the practice of the losing party paying the winner's legal bill in tax disputes.

URA frames this as a matter of principle. Tax litigation, it argues, is public administration, not a commercial venture.

Government lawyers do not earn instruction fees, and when URA loses, the costs are paid from the Consolidated Fund.

In that light, large cost awards for procedural lapses or late evidence are seen as a fiscal indulgence the country can no longer afford.

But URA also thinks "the proposal will enhance staff integrity as it closes a potential loophole for collusion with external counsel for personal economic benefit".



URA is proposing sweeping tax litigation reforms to cap lawyers' fees, restrict late evidence, and potentially abolish legal cost awards, aiming to reduce rising public expenditure on tax disputes. PHOTO / FILE

Key figures

8%

The draft proposes lawyers' fees of 8 percent for claims under Shs2m.

6%

The draft proposes lawyers' fees of 6 percent for claims of between Shs2 and Shs20m.

0.5%

The draft proposes lawyers' fees of 2 percent for claims of between Shs50 and Shs100m, and 0.5 percent for claims above Shs100m.

URA also expects behavioural change by capping costs, through which it anticipates fewer frivolous appeals, greater use of alternative dispute resolution, and earlier settlements.

Indifferent tax lawyers

But in the country's top tax firms, the sense is very different.

Several senior tax practitioners interviewed and speaking on condition of anonymity, say the problem is not legal costs, but the quality and pressure behind certain tax assessments.

"They are doing a lot of tax assessments daily. They are getting it wrong in a few cases. And sometimes, that's not because they don't know what to do, but because they are chasing targets and closing an eye on what is the right thing to do," one lawyer says.

"If you go to TAT and you lose, you have got to pay more," he explained. "So if you close an eye because you wanted to collect, you're going to lose. And if you lose, you're going to pay. That is starting to build pressure on them. You do wrong, you have to pay."

In his reading, legal costs are not a windfall but a corrective mechanism because they create a financial consequence for administrative overreach.

"By cutting the lawyers' fees, you're trying to cut what you might be able to pay when you lose," another lawyer said. "It's a way of insulating yourself from the impact of the loss."

The bill of costs

The concept at the center of this debate is the "bill of costs." In ordinary litigation, if one party wins, it can recover what it paid its lawyer from the losing party.

That recovery sits on top of whatever substantive amount was awarded. If the cost structure is reduced or abolished, the financial sting of losing diminishes.

But some say the best solution for URA is to reduce the mistakes.

"Do what is right because if you do what is right, you're not going to lose," one senior lawyer says.

Different voices point to the need for stronger internal vetting systems, review mechanisms, and approval layers before assessments are issued.

By the time a matter reaches litigation, they argue, it should already have passed rigorous legal scrutiny.

Some voices also point to the fact that some of the litigation pressure is self-induced, because URA wants to collect more.

According to the 2025/26 quarter one TAT Progress Report, 121 new applications were filed in a single quarter, valued at Shs260.3b.

In the same period, 74 disputes were resolved, unlocking Shs72.98b through rulings, consents, withdrawals, and dismissals. Meanwhile, 529 pending applications collectively represent approximately Shs1.4 trillion.

These are not cases over small sums. There are substantial disputes. TAT has the authority to dismiss weak claims and award costs against unsuccessful taxpayers.

If frivolous litigation were systemic, one would expect low-value repetitive claims or procedural abuse. The figures suggest otherwise.

At the same time, URA is tightening procedural rules.

Under proposed amendments to the Tax Procedure Code, URA seeks to limit the introduction of new evidence at later stages to protect administrative procedures and prevent situations "where a taxpayer fabricates new evidence to their advantage."

Viewed together, the reforms form a coherent package: cap costs, restrict evidentiary flexibility, and reduce the financial impact of losing.

Compressed window?

Even the consultation process has drawn quite a bit of criticism. According to industry sources, the communication was sent on February 20, with a response required by February 24.

"We had the weekend only, and that day," one lawyer said. "You had only four days to respond."

For reforms of this scale, some argue, the window felt compressed.

At its core, the debate is not about lawyers' fees. It is about incentives.

Costs are meant to "bite." They compensate the party that was wronged. They discourage weak positions. They force both sides to evaluate risk realistically. And they ensure litigation is pursued because it is necessary, not merely because it is available.

URA sees a fiscal leak that must be sealed. The legal profession sees a safeguard that must be preserved.

Between those two views lies a fundamental policy question: should government reduce the consequences of losing tax cases, or should it reduce the likelihood of losing them in the first place?

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